



CALIFORNIA Economic Indicators

July-August 2010

Unclear Signals Appear at Midyear

The 2010 Census and Home Buyer's Credit muddled recent indicators and stoked concerns over a weak economy.

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■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Recent economic readings for California were a mixed bag. The expiration of the federal First Time Home Buyers Tax Credit created unusual volatility in home buying. New home construction and nonresidential building both improved in June. Federal employment churning for the decennial Census led to muddled employment readings. California's unemployment rate improved slightly. Even in areas where there was improvement from previous months, the overall pace of activity remained disappointing.

EMPLOYMENT

The Census drawdown delivers first job-loss of 2010

Breaking a streak of five consecutive month-to-month gains, California lost 27,600 nonfarm jobs in June 2010. However, this was mainly due to the drawdown of temporary U.S. Census workers. Private sector employment increased 1,300 in June.

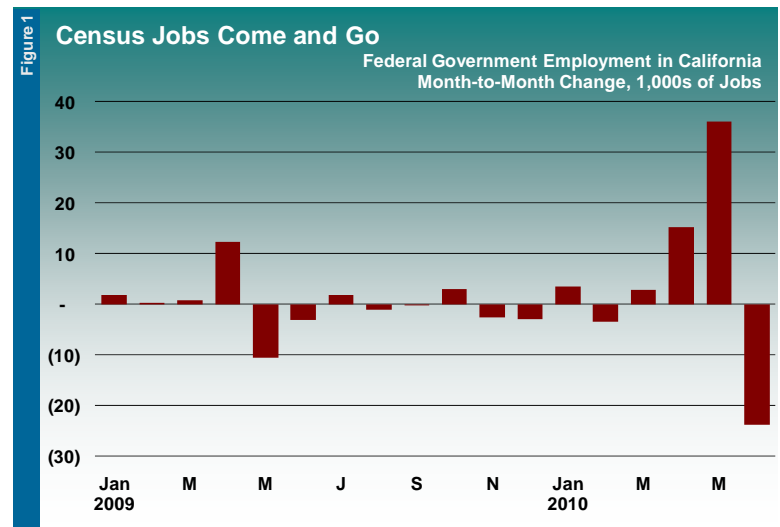
Six of 11 major industry sectors grew in June. Manufacturing added 7,300 jobs; trade, transportation, and utilities, 5,600; professional and business services, 1,500; education and health services, 800; and mining and logging, 600; and leisure and hospitality, 400.

Among the sectors shedding jobs in June, government was the chief culprit, dropping 28,900 jobs (federal government employment fell 23,700). Construction lost 8,500 jobs; other services, 4,500; financial activities, 1,700; and information, 200.

Nonfarm payroll employment fell by 186,100 from June 2009 to June 2010. On a year-over-year basis, employment rose 21,900 in education and health services; 5,500 in professional and business services; and 3,000 in information.

Over the year, employment fell by 74,400 in construction; 55,200 in trade, transportation, and utilities; 28,500 in manufacturing; 17,700 in financial activities; 16,300 in leisure and hospitality; 13,200 in government; 11,000 in other services; and 200 in mining and logging.

During the first six months of 2010, California gained 71,100 nonfarm jobs. Since the national recession began in December 2007, California has lost 1,300,000 industry jobs.



Hiring for the 2010 Census boosted employment in April, May, and June, but subtracted in July.

The unemployment rate improves slightly in June

The state's unemployment rate fell to 12.3 percent in June. The drop from 12.4 percent in May was the third consecutive month-over-month improvement. The number of people unemployed in California was 2,244,453—down 30,800 over the month, but still up 132,400 from one year earlier.

BUILDING ACTIVITY

Home building improves but still disappointing

The pace of home building in California accelerated in June, jumping up 16 percent from May. Residential permits were issued at a seasonally adjusted annual rate of 43,500 units, up over 29 percent from a year earlier. Single-family permits were down 2.6 percent from a year earlier, while permitting in the more volatile multi-family sector was up 144 percent.

New home permitting during the first half of 2010 was up 23.6 percent from the same months of 2009. However, this is still down nearly 80 percent from the pace set during the first half of 2005. In normal years, before the housing bubble inflated, the state was permitting from 150,000 to almost 200,000 units annually.

Nonresidential construction makes its first real gain since 2008

Nonresidential construction permitting was up 7.3 percent in June from a year earlier—the first substantial year-over-year gain since June 2008. However, for the first six months of 2010 as a whole, nonresidential permitting was still down 3.4 percent from the same months of 2009.

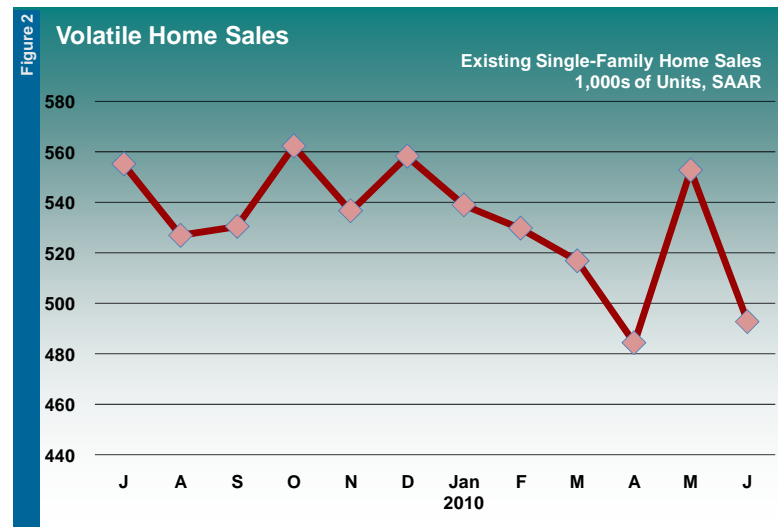
REAL ESTATE

Tax credit expiration leads to boost then slump in home sales

California real estate activity has been buffeted by the expiration of the federal home buyers' tax credit at the end of April. Both existing home sales and prices softened in June after posting strong gains in May. Sales of existing, single-family detached homes totaled 492,800 units at a seasonally adjusted annualized rate in June, an 11 percent drop from May.

The median price of existing, single-family homes sold in June was \$312,000, a drop from May, but still up 13.6 percent from a year earlier.

The unsold inventory index inched up to 4.8 months. The median number of days needed to sell a home ratcheted up to 43.3 days, a 2.3 percent increase from a year earlier. (Source: [California Association of Realtors](#))



Existing home sales slump after the First-Time Home Buyers Tax Credit expired.

■ 2010 AT MIDYEAR

While the National Bureau of Economic Research has yet to officially announce when the recession ended, the current general consensus among economists is that on a technical basis a recovery started sometime in the summer of 2009. However, the economy hasn't come roaring back. Various stimulus measures halted the economy's freefall and goosed economic growth through the early months of 2010. Halfway through the year, however, a moderation of various economic indicators lead to concern that the recovery might stall and the economy could suffer a 'double dip' recession.

The current readings for California generally reflect this picture. The state was clearly doing better during the first half of 2010 than during the first half of 2009. But according to some measures, the pace of improvement was definitely slowing. To some extent, this confusion comes from unusual factors; the First Time Home Buyers Tax Credit and federal hiring related to the decennial Census. Both of these muddled the picture of the state's true condition.

A BETTER BEGINNING TO 2010

The state economy clearly did better in the first half of 2010 than during the first half of 2009. Rather than losing jobs at a record-setting pace, employment began expanding. Industry employment grew by 71,100 during the first six months of 2010. In contrast, the state lost nearly 579,000 jobs during the first half of 2009. Moreover, during the earlier period, all major industry sectors lost jobs, whereas only three sectors lost jobs in the first half of 2010. Those losses were concentrated in construction and financial activities—the sectors that were the focal point of the recession. As opposed to the near collapse of home building that took place early in 2009—when permitting activity dropped over 50 percent from a year earlier—construction activity made modest gains in the first months of 2010. New home construction permitting grew nearly 24 percent during the first half of 2010 compared to the same months of 2009.

Despite the fact that the economy was moving in the right direction in 2010, the slowdown in 2009 was so severe that in most cases the **level** of activity was still disappointing. Median single-family home prices were still down about 50 percent from their 2007 peak and still lower than their pre-bubble 2003 level. Home building was the weakest on a record dating back to the 1970s. This overall weakness led to a situation in which any bad news could easily be interpreted as a sign of another impending slowdown. Unfortunately, two anomalous factors came into play in the first half of 2010 that significantly complicated the interpretation of recent economic indicators.

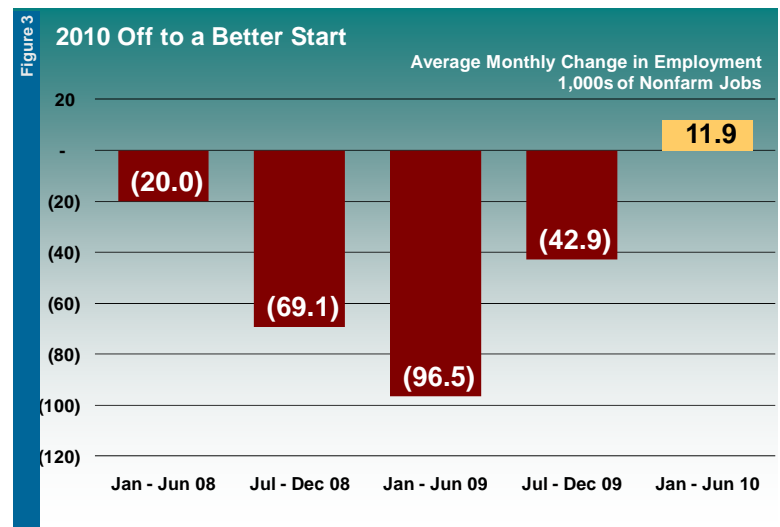
A HOME BUYING STIMULUS

There is little doubt that various economic stimulus measures taken by the federal government helped prevent a more catastrophic slowdown and gave the economy some steam as it entered 2010. Questions have been raised, however, about the sustainability of that momentum.

A key component of the stimulus was the First Time Home Buyers Tax Credit. As part of the economic stimulus package implemented in 2009, a tax credit was created for qualified first-time home buyers purchasing a principal residence between January 1st and November 30th of 2009. The credit was extended in early 2010 to sales occurring between January 1, 2009 and April 30, 2010. The tax credit was equal to 10 percent of the home's purchase price up to a maximum of \$8,000.

The termination and resurrection of the credit meant that it had a staccato impact on real estate activity. Nationally, there was a strong recovery in sales in the late summer and fall of 2009, boosted by the credit. Its expiration near the end of the year, though, caused home sales to crash afterwards. The extension and expansion of the credit then led to a moderate rebound in sales in March and April of 2010.

California real estate markets roughly mirrored the national pattern. Existing home sales surged at the end of 2009 in anticipation of the credit's initial expiration. A general slowdown followed. Home sales then recovered strongly in concert with the credit's renewal and extension, followed by a sharp slowdown after its expiration. Overall, existing home sales during the first six months of 2010 were down 6 percent from a year earlier. Existing home prices showed net improvement but also suffered similar volatility. The median price of existing single-family homes sold during the first 6 months of 2010



was up nearly 18 percent from the first half of 2009. Displaying a similar response to the tax credit, the median price rose steadily throughout 2009 then dropped sharply during the first two months of 2010. Prices rose again after the credit's renewal but dropped again after its final expiration. Thus at midyear, home prices and sales appeared to be softening. This raises uncertainty over whether this represents a general slowing or just a temporary give-back of home sales that were moved up because of the credit.

CENSUS HIRING

In a similar fashion, the decennial U.S. Census also generated confusing economic statistics, with employment numbers in this case. Every 10 years, the U.S. Census hires an army of census-workers to collect demographic data. This creates an anomalous surge in federal employment that is not indicative of economic trends. This was especially troublesome this year because the Census effort occurred at a time when the economy was in the midst of a very restrained and 'jobless' recovery. This meant that headline employment estimates began growing when good employment news was hard to find. When the temporary Census jobs began winding down, the employment totals declined which heightened fears that another economic slowdown was in the offing.

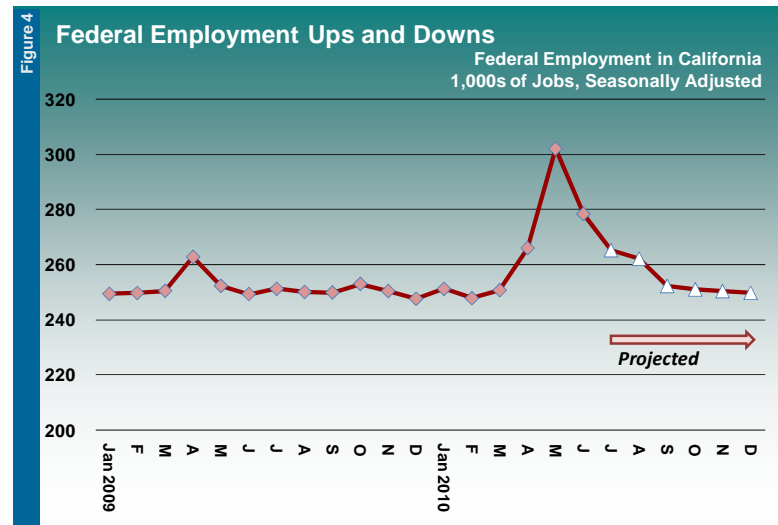
According to the Bureau of Labor Statistics, hiring of temporary and intermittent workers for the Census began at the end of 2008. The bulk of the hiring, though, didn't come until the middle of 2010. At the peak in May, 564,000 workers were added to federal payrolls. Thus, over half a million nonfarm jobs were created by the Census during the first five months of 2010—roughly half of all the jobs created during this period. California saw similar results; Federal government employment in California began expanding in earnest at the beginning of 2010. By May, federal employment had grown by 55,000—approximately half of all jobs created in the state.

The Census effort began winding down in June when national Census employment dropped 225,000. Another 143,000 jobs were shed in July. If the pattern of 2000 Census employment is a good guide, there will be significant layoffs in August and September and nearly all of the temporary jobs will disappear by the end of the year. For California, this implies significant federal employment losses in July, August, and September, and the loss of approximately 36,000 jobs during the second half of the year. This will significantly depress headline employment estimates.

This federal employment churning may have masked otherwise positive news in industry employment estimates for California. The state gained 99,000 nonfarm jobs during the first five months of 2010, 55,000 of which came from federal employment growth. In June, total employment fell 28,000, which could be seen as a sign of general slowing in the economy. However, nearly all of these losses were due to reduced federal government employment. The private sector added 1,300 jobs in June. All told, total nonfarm employment grew by 71,000 during the first half of 2010. About 31,000 were additional federal jobs. State and local government employment actually dropped 13,000. So, the private sector added 52,900 jobs. This is a dramatic improvement from the loss of 226,000 private jobs during the last six months of 2009.

CONCLUSION

At a crucial point in the recovery from the Great Recession, two key economic indicators gave possibly misleading readings. It will likely take several more months of home sales data to determine whether June's disappointing real estate numbers were a sign of weakness or just a pay-back for the federal home buyer's stimulus. Likewise, when looking for trends in employment estimates for the remainder of 2010, observers should focus on the private sector and qualify any conclusions reached by noting the effects of Census employment.



Select Indicators

	2009	2010				Year-Over % Change
	Jul	Apr	May	Jun	Jul	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,101	16,014	16,062	16,069	16,018	-0.5%
Unemployment (000)	2,151	2,298	2,275	2,244	2,251	4.7%
Unemployment rate	11.8%	12.5%	12.4%	12.3%	12.3%	--
Nonagricultural wage and salary employment (000) a/	13,978.7	13,877.2	13,908.3	13,884.3	13,874.9	-0.7%
Goods-producing industries	1,888.6	1,816.0	1,817.4	1,814.3	1,813.5	-4.0%
Mining and logging	25.1	24.7	24.9	25.5	25.3	0.8%
Construction	599.8	554.2	551.8	544.1	545.5	-9.1%
Manufacturing	1,263.7	1,237.1	1,240.7	1,244.7	1,242.7	-1.7%
Service-providing industries	12,090.1	12,061.2	12,090.9	12,070.0	12,061.4	-0.2%
Trade, transportation, and utilities	2,617.5	2,582.5	2,579.1	2,578.9	2,580.3	-1.4%
Information	442.4	445.8	448.1	447.9	448.6	1.4%
Financial activities	792.8	780.8	780.0	780.7	780.7	-1.5%
Professional and business services	2,025.0	2,038.7	2,042.7	2,050.8	2,047.8	1.1%
Educational and health services	1,737.4	1,766.6	1,760.3	1,761.3	1,772.9	2.0%
Leisure and hospitality	1,492.8	1,485.6	1,482.8	1,482.9	1,480.8	-0.8%
Other services	483.3	477.1	480.0	478.1	484.0	0.1%
Government	2,498.9	2,484.1	2,517.9	2,489.4	2,466.3	-1.3%
Federal government	251.2	266.0	302.1	278.7	258.6	2.9%
State and local government	2,247.7	2,218.1	2,215.8	2,210.7	2,207.7	-1.8%
High-technology industries b/	827.9	820.0	820.2	822.4	825.6	-0.3%
Computer and electronic products manufacturing	274.3	272.8	273.4	274.9	276.3	0.7%
Aerospace products and parts manufacturing	70.8	68.7	69.0	68.1	70.1	-1.0%
Software publishers	44.6	43.2	43.0	42.9	42.8	-4.0%
Telecommunications	112.4	105.8	106.2	105.5	104.7	-6.9%
Internet service providers, web portals and data processing	19.5	19.6	19.7	19.6	19.6	0.5%
Computer systems design	193.8	198.0	196.6	198.7	198.7	2.5%
Scientific research and development	112.5	111.9	112.3	112.7	113.4	0.8%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	39.2	39.9	40.2	40.0	40.0	2.0%
Average weekly earnings	\$692.66	\$754.91	\$763.80	\$760.80	\$765.60	10.5%
Average hourly earnings	\$17.67	\$18.92	\$19.00	\$19.02	\$19.14	8.3%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	NA	227.0	NA	227.1	NA	--
San Francisco CMSA	NA	227.7	NA	228.1	NA	--
Los Angeles CMSA	224.0	225.9	226.4	225.9	226.0	0.9%
Urban Wage Earners and Clerical Workers Series						
California Average	NA	219.8	NA	219.7	NA	--
San Francisco CMSA	NA	223.8	NA	224.2	NA	--
Los Angeles CMSA	216.1	218.5	218.8	218.2	218.4	1.0%
CONSTRUCTION						
Private residential housing units authorized (000) c/	35	36	38	47	50	44.8%
Single units	24	23	20	24	22	-5.3%
Multiple units	11	12	18	23	28	149.8%
Residential building authorized valuation (millions) d/	\$11,402	\$12,294	\$12,017	\$13,501	\$13,771	20.8%
Nonresidential building authorized valuation (millions) d/	\$10,495	\$11,156	\$10,576	\$10,800	\$11,396	8.6%
Nonresidential building authorized valuation (millions) e/	11,074	\$12,115	\$9,952	\$12,334	11,441	3.3%
Commercial	1,613	2,514	1,809	1,993	2,201	36.4%
Industrial	358	106	173	120	154	-57.1%
Other	2,649	2,868	1,706	2,885	2,146	-19.0%
Alterations and additions	6,452	6,628	6,264	7,335	6,941	7.6%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	69,836	94,774	99,841	NA	NA	--
a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).						
b/ Not seasonally adjusted						
c/ Seasonally adjusted at annual rate						
d/ Seasonally adjusted						
e/ Not seasonally adjusted						
NA Not available						

Select Indicators (continued)

OFFICE VACANCY AND INDUSTRIAL AVAILABILITY RATES, FIRST QUARTER 2010									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		1Q10	1Q09	1Q10	1Q09	1Q10	1Q09	1Q10	1Q09
Northern and Central California:									
Oakland East-Bay		13.8	11.3	17.4	15.7	16.0	14.0	11.1	10.9
Sacramento		13.0	12.5	24.2	19.7	21.8	18.4	14.3	12.4
San Francisco		16.2	13.6	15.6	14.1	16.0	13.8	10.0	8.5
San Jose		22.2	18.4	21.0	19.1	21.2	19.0	17.2	14.8
Walnut Creek		NA	NA	17.4	15.0	17.4	15.0	13.5	14.5
Southern California:									
Inland Empire		NA	NA	24.0	21.8	24.0	21.8	15.9	14.7
Los Angeles Metro		17.4	15.3	16.3	13.9	16.5	14.1	8.3	6.7
Orange County		NA	NA	18.4	16.1	18.4	16.1	11.1	10.0
San Diego		16.1	16.0	20.9	21.3	20.1	20.4	15.9	13.3
Ventura County		NA	NA	23.9	24.9	23.9	24.9	NA	NA
National Average		15.1	12.3	19.1	17.1	17.8	15.5	13.4	11.5
SALES OF EXISTING SINGLE-FAMILY HOMES				FOREIGN TRADE		DOD PRIME CONTRACTS a/			
		Median	Units	Exports	Imports				
		Price	(SAAR)	(\$ millions)				\$ millions	% of U.S.
2006	Jan	\$549,460	500,470	\$10,848	\$25,555	1993-94	22,573	20.5%	
	Feb	534,400	513,740	10,791	23,004	1994-95	18,277	16.8%	
	Mar	562,130	539,170	13,336	27,722	1995-96	18,230	16.7%	
	Apr	562,380	516,960	11,991	27,005	1996-97	18,477	17.3%	
	May	563,860	488,260	12,306	28,090	1997-98	17,401	15.9%	
	Jun	575,850	483,690	12,664	29,621	1998-99	17,372	15.1%	
	Jul	567,860	453,980	12,255	29,990	1999-00	18,100	14.7%	
	Aug	577,300	442,150	12,720	31,550	2000-01	19,939	14.7%	
	Sep	557,150	444,780	12,567	30,608	2001-02	23,816	15.0%	
	Oct	552,020	443,320	12,913	32,200	2002-03	28,681	15.0%	
	Nov	554,500	450,930	12,676	29,747	2003-04	27,875	13.7%	
	Dec	569,350	452,060	12,756	28,396	2004-05	31,065	13.1%	
2007	Jan	\$551,220	446,820	\$12,325	\$28,025	2005-06	32,126	12.5%	
	Feb	554,280	480,170	11,717	26,183				
	Mar	582,930	422,300	13,954	27,815				
	Apr	594,110	357,460	12,360	28,049				
	May	594,530	358,640	13,283	28,734				
	Jun	591,280	357,890	13,864	29,961				
	Jul	587,560	341,130	12,837	30,537				
	Aug	588,670	313,310	13,527	31,206				
	Sep	535,760	255,340	13,375	30,962				
	Oct	517,240	254,650	14,511	33,415				
	Nov	490,511	280,920	13,483	31,767				
	Dec	480,820	294,520	14,313	29,615				
2008	Jan	\$427,200	311,160	\$13,016	\$28,280				
	Feb	418,260	338,970	13,664	27,306				
	Mar	414,640	319,290	14,868	27,996				
	Apr	404,470	362,170	14,308	29,907				
	May	384,540	411,770	15,023	30,640				
	Jun	373,100	427,910	15,800	31,269				
	Jul	355,000	494,390	15,992	33,976				
	Aug	352,730	483,400	15,206	31,892				
	Sep	319,310	519,530	14,545	31,994				
	Oct	307,210	557,050	14,485	32,308				
	Nov	287,880	514,240	12,290	26,322				
	Dec	283,060	549,190	11,397	24,082				
2009	Jan	\$249,960	602,660	\$9,640	\$21,730				
	Feb	247,590	620,410	9,987	16,926				
	Mar	249,790	504,200	11,149	20,895				
	Apr	253,110	526,720	10,590	20,822				
	May	263,440	546,490	10,769	21,678				
	Jun	274,640	514,230	11,214	22,725				
	Jul	285,310	555,780	11,371	23,893				
	Aug	292,960	526,970	11,738	24,327				
	Sep	296,610	530,520	11,684	25,986				
	Oct	297,500	562,400	12,794	27,136				
	Nov	304,520	536,720	12,573	25,114				
	Dec	306,820	558,320	13,707	25,292				
2010	Jan	\$287,440	539,040	\$11,973	\$22,934				
	Feb	279,840	529,836	12,806	22,869				
	Mar	301,790	516,912	14,366	24,904				
	Apr	306,230	484,487	13,651	25,814				
	May	324,430	552,800	14,272	26,957				
	Jun	311,950	494,242	14,194	30,808				
	Jul	314,850	440,370	NA	NA				
a/ U.S. fiscal year: October through September				NA Not available					

Leading Indicators ^{a/}

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2006	Jan	4.3	40.2	41,098	9,362	187.8
	Feb	4.7	40.7	38,618	8,670	223.8
	Mar	4.5	40.2	42,535	9,303	172.9
	Apr	4.3	40.1	43,296	8,958	179.0
	May	4.4	40.2	42,917	9,032	161.5
	Jun	4.4	40.5	40,897	8,370	194.5
	Jul	4.3	40.3	42,401	8,613	143.4
	Aug	4.1	40.2	42,889	8,844	152.2
	Sep	3.9	40.2	42,269	8,686	151.1
	Oct	4.2	40.4	41,973	8,923	133.2
	Nov	4.1	40.2	43,011	8,815	137.5
	Dec	4.2	40.6	44,979	9,151	131.9
2007	Jan	4.2	40.7	42,230	9,153	150.4
	Feb	3.9	40.7	42,868	8,793	134.6
	Mar	3.9	40.4	43,457	8,818	141.8
	Apr	3.9	40.6	43,332	8,410	123.0
	May	4.0	40.6	45,294	8,290	117.2
	Jun	4.1	40.6	45,620	8,964	100.0
	Jul	4.0	40.8	45,088	8,532	111.9
	Aug	4.0	40.8	46,046	9,123	128.4
	Sep	3.9	40.6	46,872	8,945	86.1
	Oct	4.0	40.5	48,953	8,538	97.8
	Nov	3.9	40.6	48,198	9,051	76.4
	Dec	3.8	40.3	48,873	8,758	86.9
2008	Jan	3.8	40.5	49,489	8,026	73.6
	Feb	4.0	39.9	49,128	8,228	90.1
	Mar	4.0	41.0	49,957	8,068	52.9
	Apr	4.2	41.5	52,545	8,247	71.8
	May	3.8	40.9	52,539	8,210	80.9
	Jun	3.7	40.8	55,059	8,051	72.0
	Jul	3.9	40.9	59,953	7,649	64.8
	Aug	3.7	40.3	62,641	7,416	58.0
	Sep	3.7	40.5	63,690	7,489	55.0
	Oct	3.7	40.6	66,171	7,087	50.8
	Nov	3.3	40.2	71,143	6,574	70.1
	Dec	3.4	40.2	74,433	6,767	46.3
2009	Jan	3.0	40.0	77,165	7,067	33.4
	Feb	3.0	38.2	79,595	7,085	34.4
	Mar	2.9	39.1	80,165	6,713	36.4
	Apr	2.8	38.7	78,042	6,991	37.9
	May	3.0	38.9	75,808	6,782	33.1
	Jun	3.0	39.1	83,023	6,636	33.6
	Jul	2.8	39.3	83,177	6,769	34.7
	Aug	3.1	39.5	80,885	6,526	38.6
	Sep	3.1	39.4	88,144	6,275	37.3
	Oct	3.2	39.6	80,727	6,515	37.7
	Nov	3.6	40.0	73,328	6,748	40.9
	Dec	3.5	39.9	74,884	5,355	40.3
2010	Jan	3.9	40.0	83,870	5,732	54.3
	Feb	3.7	40.0	75,344	5,468	49.9
	Mar	3.7	39.9	83,623	7,803	37.6
	Apr	3.9	40.2	85,920	5,201	35.8
	May	3.9	40.2	84,299	5,552	38.0
	Jun	3.8	40.0	87,382	3,973	47.4
	Jul	3.6	40.0	NA	NA	50.3
a/ Seasonally adjusted by the California Department of Finance.						
NA Not available						

Coincident Indicators ^{a/}

		Nonagricultural		Manufacturing		Unemployment	Unemployment	
		Employment		Employment		Rate	Avg. Weeks Claimed	
		(Thousands)		(Thousands)		(Percent)	(Thousands)	
2007	Jan	15,136		1,477		4.9	361	
	Feb	15,167		1,477		5.0	366	
	Mar	15,194		1,476		5.0	342	
	Apr	15,143		1,468		5.1	356	
	May	15,164		1,464		5.2	365	
	Jun	15,179		1,467		5.3	356	
	Jul	15,203		1,468		5.4	372	
	Aug	15,188		1,461		5.5	370	
	Sep	15,169		1,455		5.5	391	
	Oct	15,169		1,454		5.6	402	
	Nov	15,182		1,453		5.7	383	
	Dec	15,181		1,450		5.8	425	
2008	Jan	15,141		1,451		5.9	426	
	Feb	15,154		1,447		6.0	420	
	Mar	15,128		1,444		6.1	443	
	Apr	15,136		1,442		6.4	471	
	May	15,095		1,438		6.6	453	
	Jun	15,061		1,433		7.0	470	
	Jul	15,000		1,431		7.3	490	
	Aug	14,958		1,424		7.5	512	
	Sep	14,903		1,417		7.8	540	
	Oct	14,835		1,407		8.2	565	
	Nov	14,725		1,392		8.7	558	
	Dec	14,646		1,377		9.2	650	
2009	Jan	14,543		1,359		9.7	659	
	Feb	14,401		1,336		10.2	710	
	Mar	14,300		1,318		10.6	760	
	Apr	14,221		1,304		11.0	771	
	May	14,150		1,292		11.3	827	
	Jun	14,067		1,277		11.6	840	
	Jul	13,979		1,264		11.8	824	
	Aug	13,941		1,256		12.0	860	
	Sep	13,852		1,248		12.1	832	
	Oct	13,885		1,245		12.2	792	
	Nov	13,851		1,239		12.3	779	
	Dec	13,810		1,231		12.3	717	
2010	Jan	13,835		1,241		12.5	691	
	Feb	13,838		1,242		12.5	676	
	Mar	13,852		1,241		12.6	685	
	Apr	13,877		1,237		12.5	646	
	May	13,908		1,241		12.4	673	
	Jun	13,884		1,245		12.3	684	
	Jul	13,875		1,243		12.3	NA	
		Personal		Wages &				
		Income b/		Salaries b/		Taxable Sales c/		
		(\$ millions)		(\$ millions)		(\$ millions)		
2007	Qtr I	\$1,546,510		\$823,890		\$143,287		
	Qtr II	1,564,564		830,717		140,605		
	Qtr III	1,577,537		833,548		137,484		
	Qtr IV	1,600,471		848,283		139,987		
2008	Qtr I	\$1,591,691		\$842,347		\$138,076		
	Qtr II	1,613,949		847,457		137,257		
	Qtr III	1,615,235		848,679		133,664		
	Qtr IV	1,595,575		833,650		123,338		
2009	Qtr I	\$1,566,348		\$812,219		\$115,784		
	Qtr II	1,565,581		803,901		111,080		
	Qtr III	1,556,720		790,261		111,204		
	Qtr IV	1,564,801		787,373		114,466		
2010	Qtr I	\$1,578,930		\$793,072		\$118,293		
a/ Seasonally adjusted.								
b/ Estimates by the U.S. Bureau of Economic Analysis.								
c/ Taxable sales estimates for 2009:Q3, Q4, and 2010:Q1 are preliminary.								

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

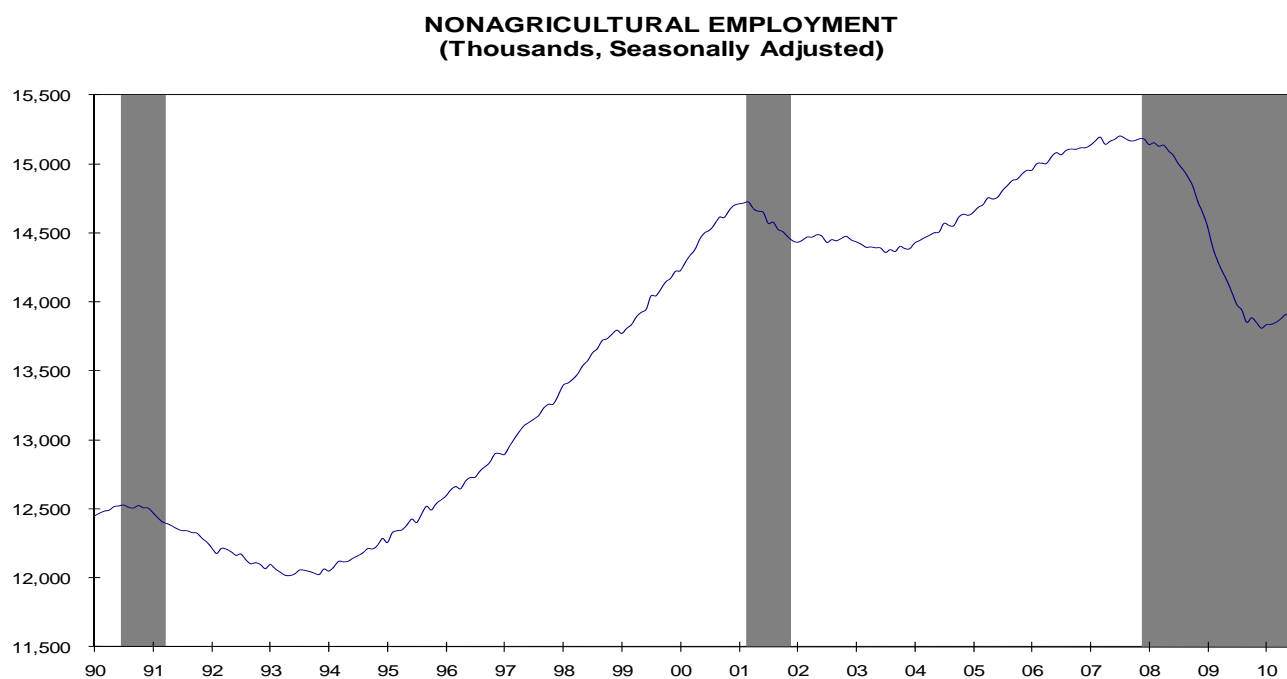
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

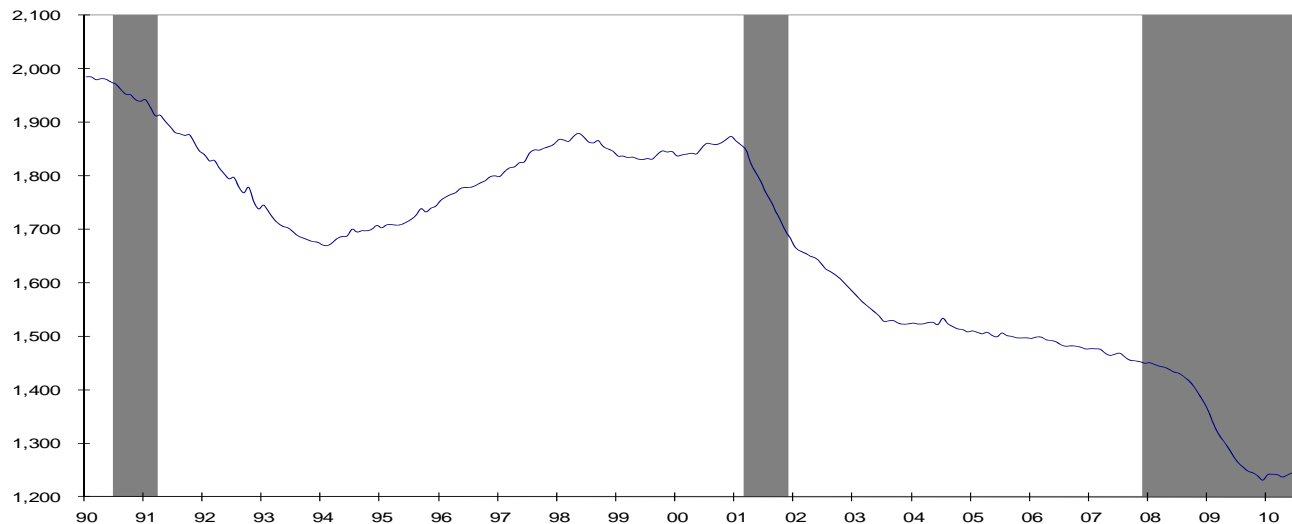
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

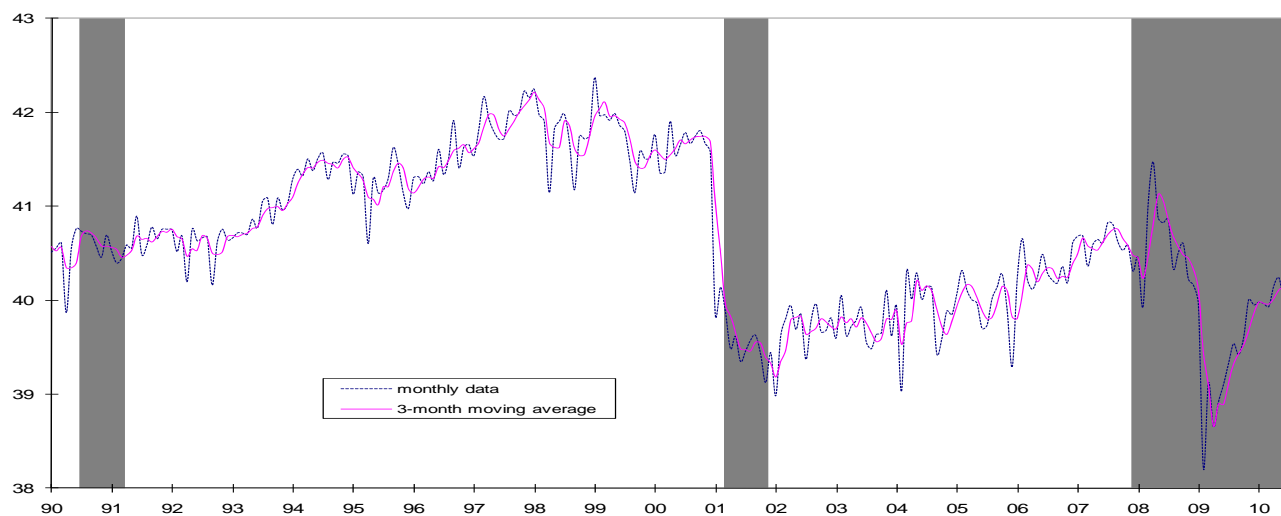
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



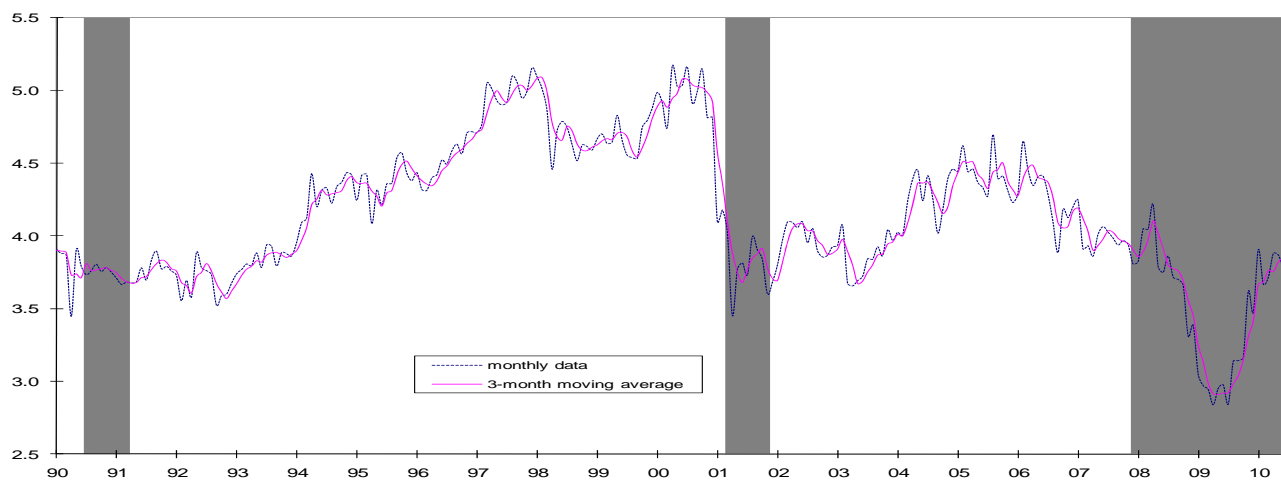
MANUFACTURING EMPLOYMENT (Thousands, Seasonally Adjusted)



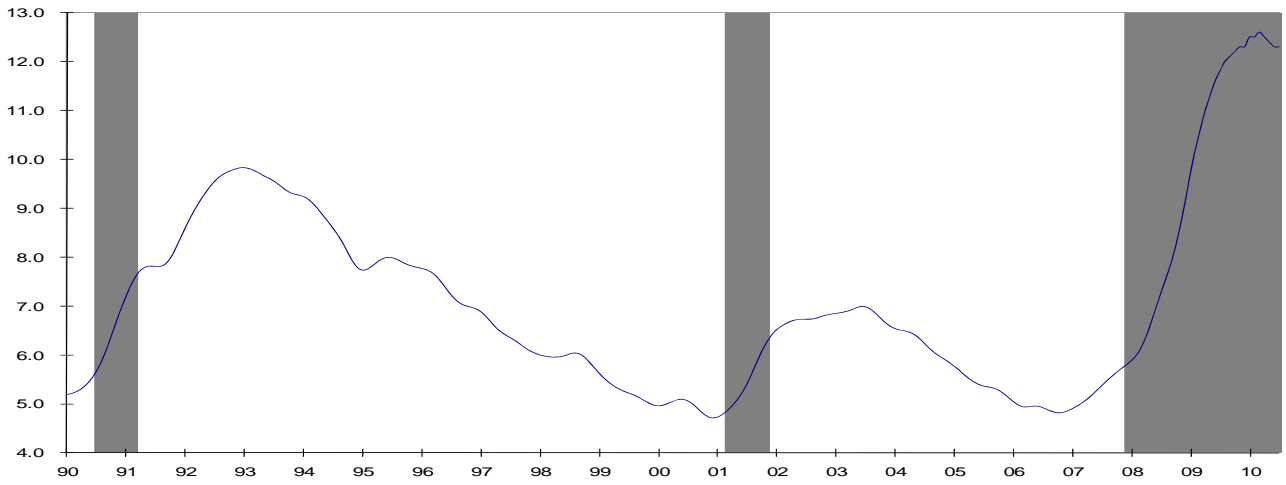
AVERAGE WEEKLY HOURS, MANUFACTURING (Seasonally Adjusted)



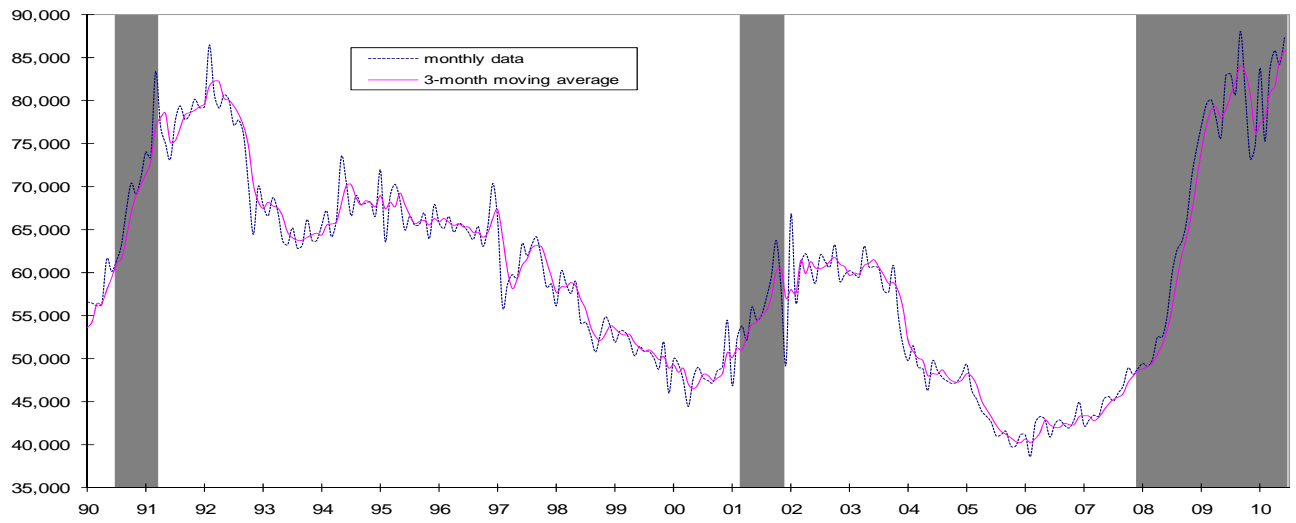
AVERAGE OVERTIME HOURS, MANUFACTURING (Seasonally Adjusted)



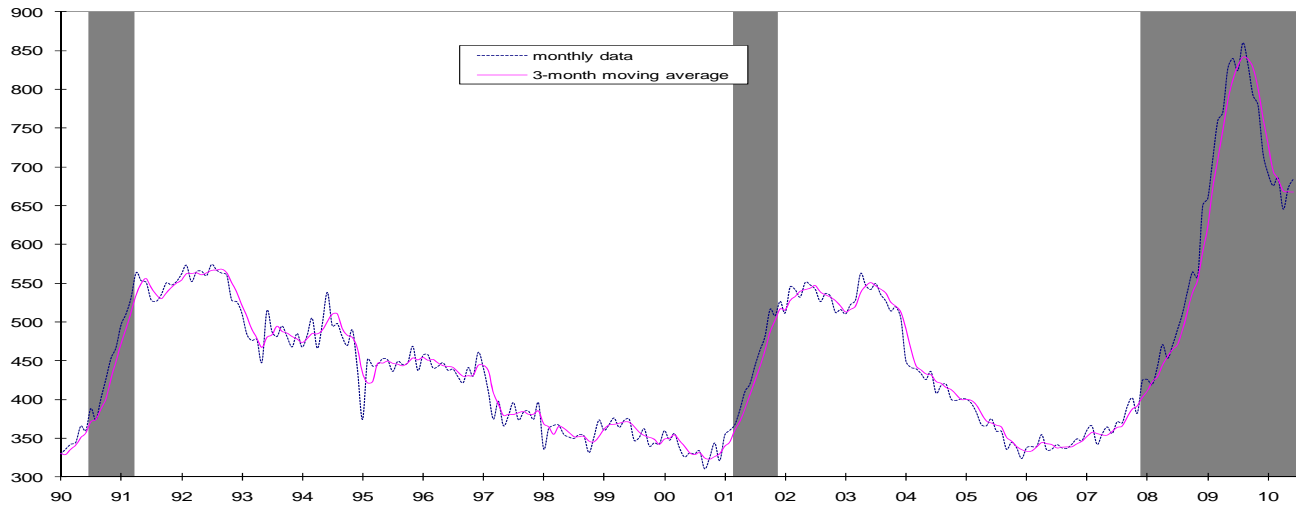
**UNEMPLOYMENT RATE
(Percent)**



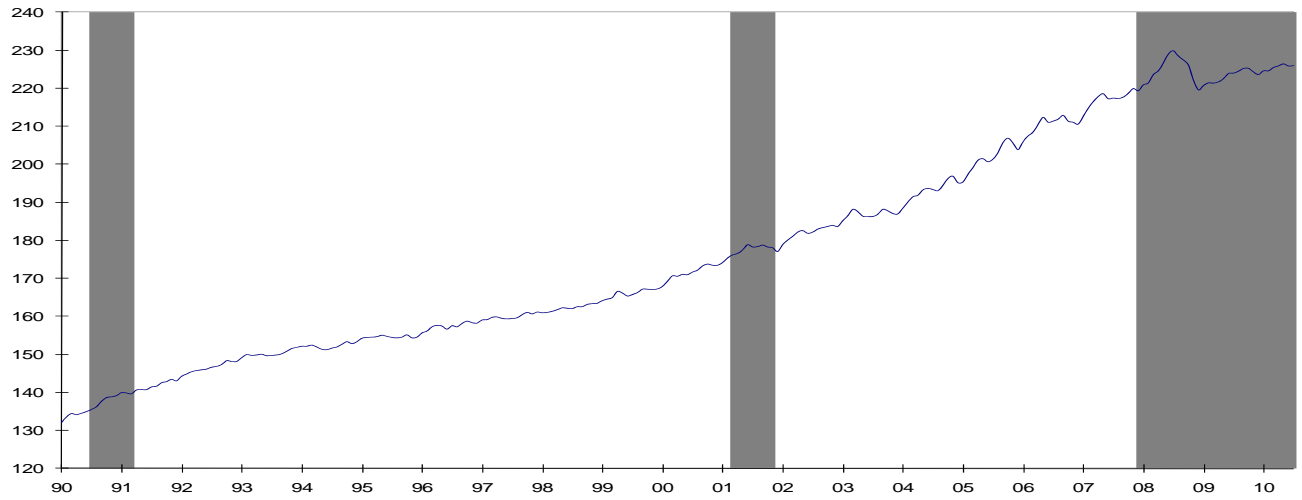
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)**



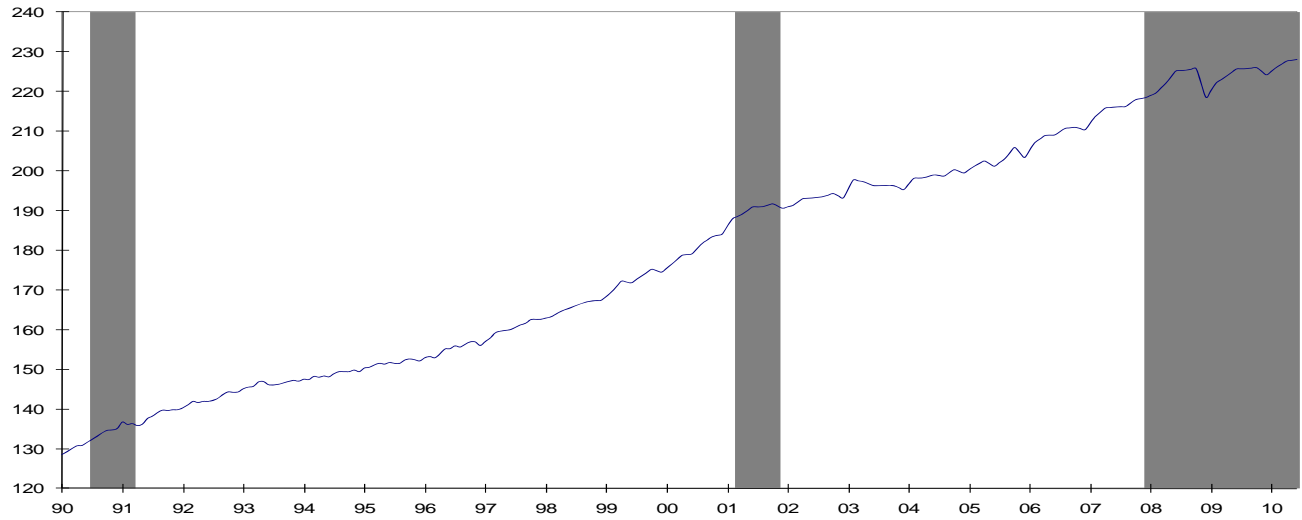
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)**



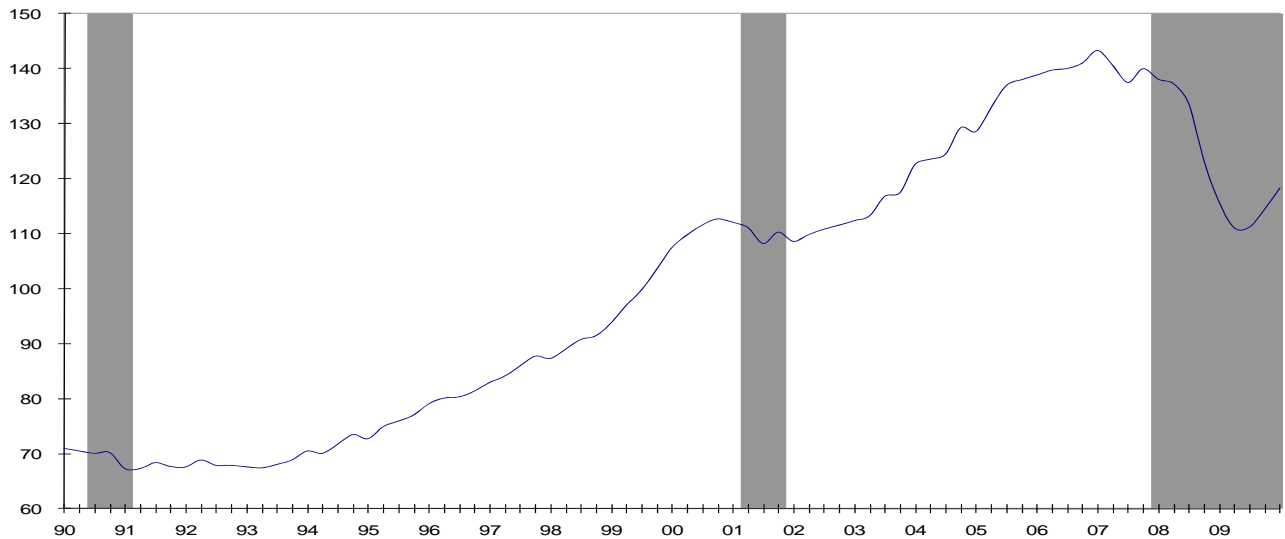
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



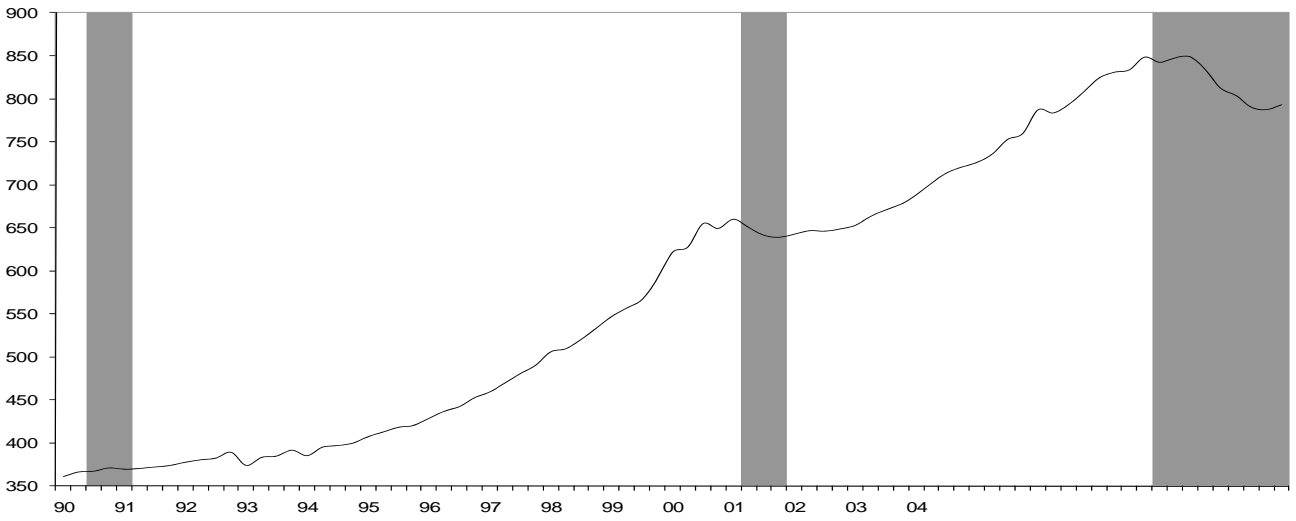
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



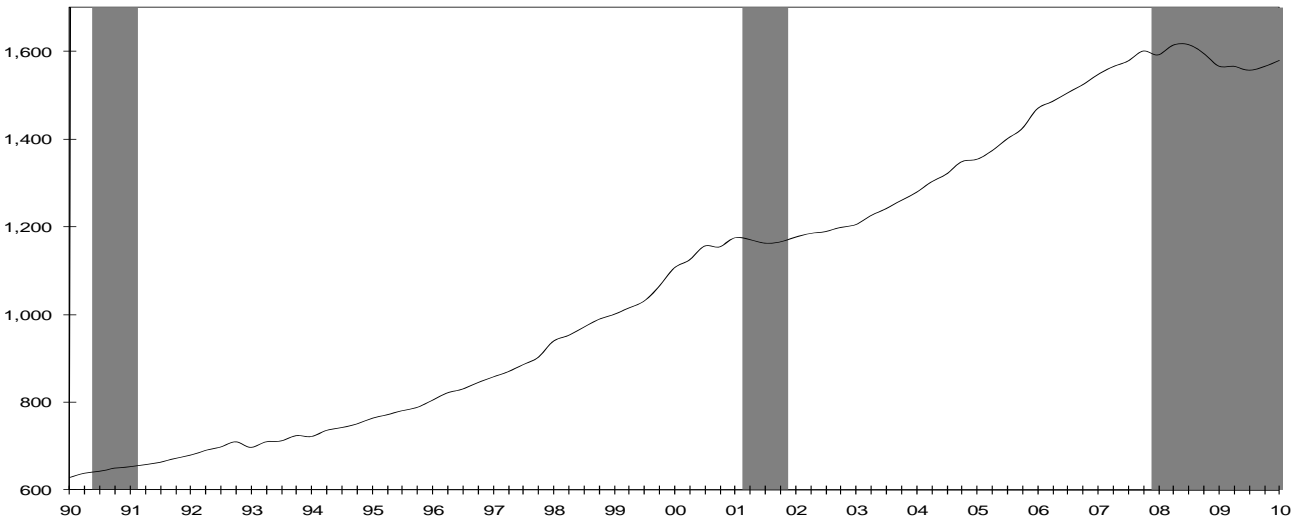
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



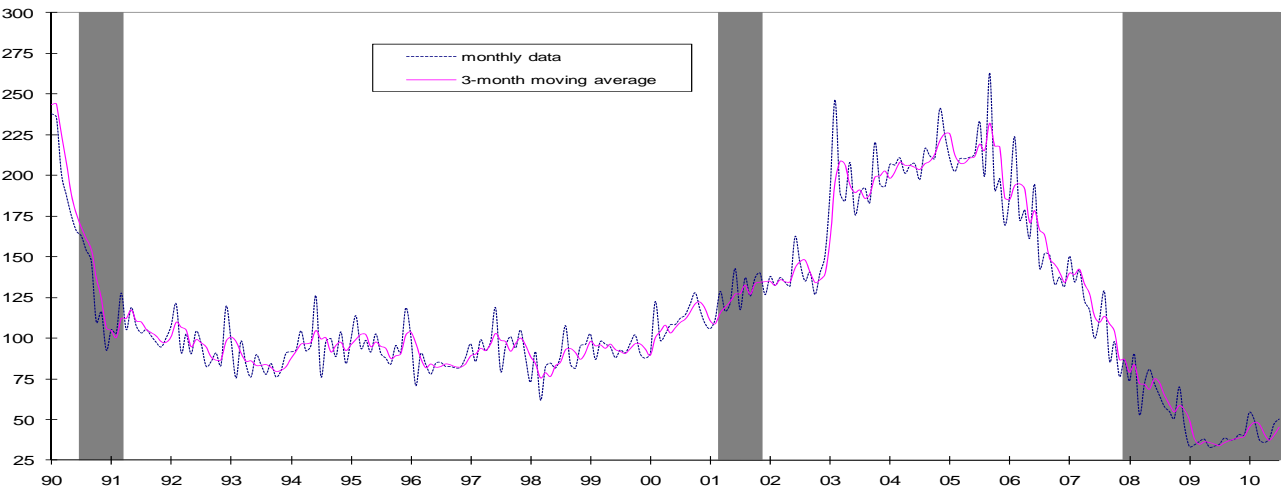
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



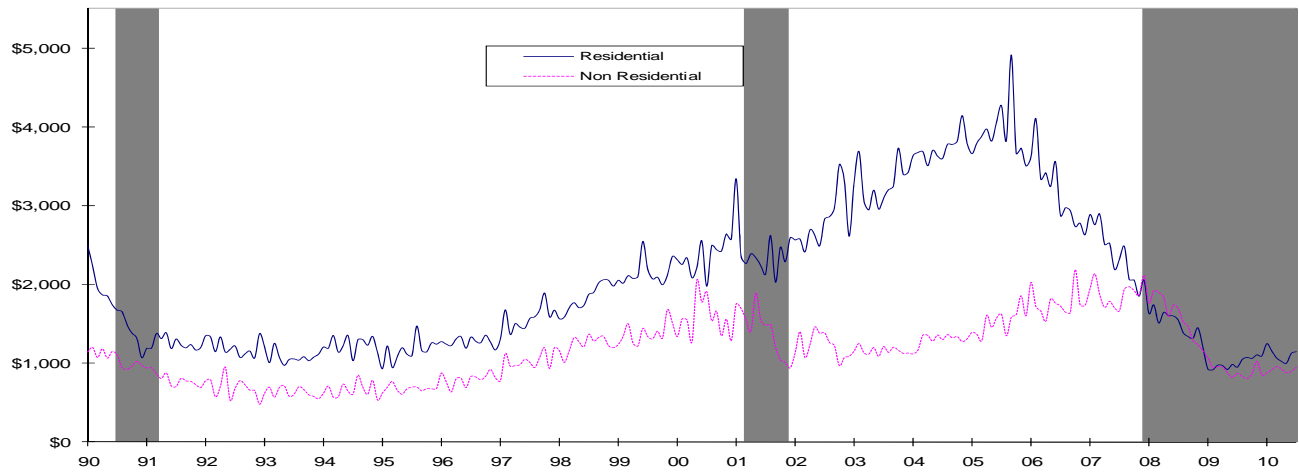
PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



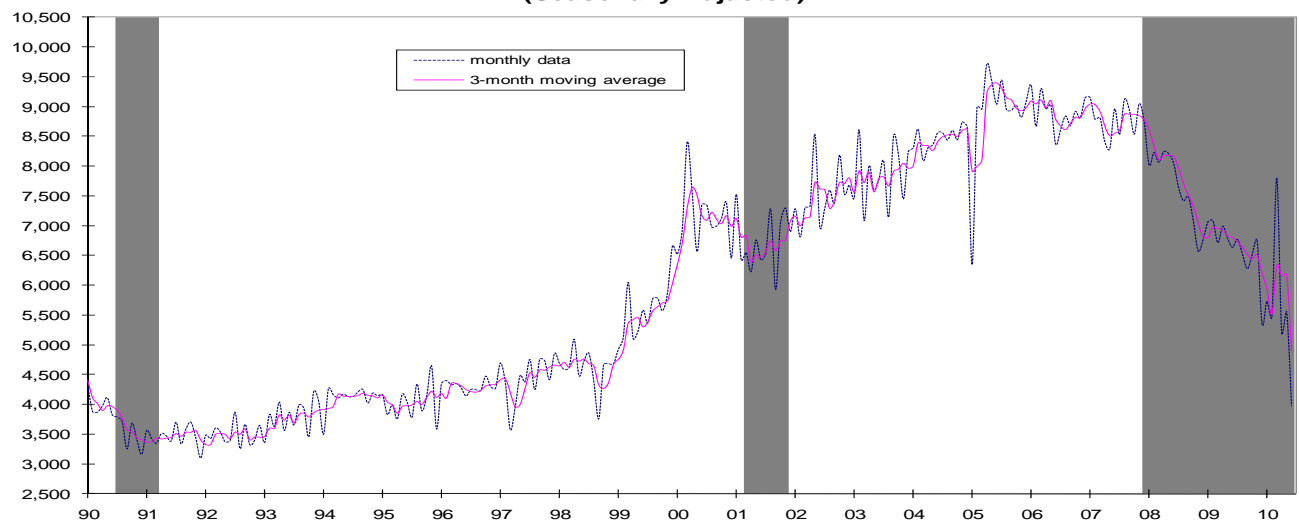
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



RESIDENTIAL AND NONRESIDENTIAL BUILDING PERMIT VALUATION
(Dollars In Millions, Seasonally Adjusted At Annual Rate)



NEW BUSINESS INCORPORATIONS
(Seasonally Adjusted)



REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128
Nov.	2001	Dec.	2007			73		

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included.

---2007---

January 1	California minimum wage increased to \$7.50 per hour from \$6.75.
January 11	Vietnam becomes WTO member.
Mid-January	Freezing temperatures in California caused some \$1.3 billion in crop losses.
January 25-26	Sales of both new and existing homes in the U.S. suffered sharp declines last year. The plunge in new home sales was the biggest drop since 1990 and sales of existing homes saw its biggest decline since 1989.
February	Crippling winter storms blanketed large swaths of the Midwest and Northeast with snow, ice and freezing rain.
February 21	Rising default rates hitting subprime mortgage industry hard.
February 27	Dow Jones industrial average down 416 points, biggest one-day point loss since 2001, after declining markets in China and Europe and a steep drop in durable goods orders triggered a massive sell-off on Wall Street.
February 28	GDP grew at a 2.2 percent pace in the 4 th quarter –a considerably weaker rate than what the government first estimated.
March 2	The latest benchmark revision to the California labor market statistics shows nonfarm payroll employment growth was considerably stronger than what was first estimated.
March 14	President Bush issues a disaster declaration for California counties hurt by the January deep freeze.
March 29	Fourth quarter GDP revised upwards to 2.5 percent.
April 16	The number of default notices sent to California homeowners last quarter increased to its highest level in almost ten years, the result of flat appreciation, slow sales, and post teaser-rate mortgage resets.
April 25	Dow Jones Industrials close above 13,000 for the first time.
April 27	First quarter GDP increased at an annual rate of 1.3 percent.
May 3	S&P 500 closed above 1,500 for the first time in more than six years. Dow Jones Industrials surged to a record high for the sixth time in seven sessions.

May 4	US payroll job growth slowest since 2004. The Dow Jones industrial average hit another record high making this the longest bull run in 80 years.
May 31	First quarter GDP increased at an annual rate of 0.6 percent. That's down from its initial estimate of 1.3 percent growth.
July 24	Federal minimum wage increased to \$5.85 from \$5.15 per hour.
July 26	The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
August 2	Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
August 9	The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
August 10	The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
August 17	The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
August 23	Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
August 24	California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
August 28	The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
August 30	Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
September 10	Blasts rip Mexico gas and oil pipelines.
September 18	Federal funds rate target reduced from 5.25 percent to 4.75 percent. Discount rate cut from 5.75 percent to 5.25 percent.
September 27	Second quarter GDP increased at an annual rate of 3.8 percent. That's down from its preliminary estimate of 4 percent.
October 21-26	Southern California wildfires.
October 31	Federal funds rate target reduced from 4.75 percent to 4.50 percent. Discount rate cut from 5.25 percent to 5 percent.
November 1	The Federal Reserve injects \$41 billion in temporary reserves into the US money markets.

November 5-	Members of the Writers Guild of America strike
November 12	Citigroup, Bank of America, and JPMorganChase agree to a \$75 billion superfund to restore confidence to credit markets.
November 15	US House of Representatives passes the Mortgage Reform and Anti-Predatory Lending Act of 2007.
December 6	President Bush announces a plan to voluntarily and temporarily freeze the mortgage rates of a limited number of mortgage debtors holding adjustable rate mortgages.
December 11	Federal funds rate target reduced from 4.50 percent to 4.25 percent. Discount rate cut from 5 percent to 4.75 percent.
December 12	The Federal Reserve injects \$40B into the money supply and coordinates such efforts with central banks from Canada, United Kingdom, Switzerland and European Union.
December 18	The Federal Reserve approves measures to give mortgage holders more protection to prevent the current housing crisis from worsening further.
December 20	Third quarter GDP increased at an annual rate of 4.9 percent.
December 21	In California, sales of new and existing houses and condos were down 39 percent from a year ago in November. Sales have declined in the last 26 months on a year-over-year basis. The median price paid for a home was down 2.4 percent from the prior month and down 11.9 percent from a year ago. Financing with adjustable-rate mortgages and with multiple mortgages have dropped sharply. Foreclosure activity is at record levels.
December	Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation.

---2008---

January 1	California minimum wage increased to \$8.00 per hour from \$7.50.
January 11	Bank of America agrees to purchase Countrywide Financial.
January 14	Fitch assigns Negative Rating Watch to State of California.
January 21-22	Global stock markets plunge.
January 22	Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
January 30	Federal funds rate target reduced from 3.5 percent to 3 percent.
February 12	Hollywood writers strike ends.
February 19	Crude oil price tops \$100 a barrel.
March 13	Gold futures hit \$1000 an ounce for the first time. Crude oil price tops \$110 a barrel. Gas prices rise to another record high.

March 16	JPMorgan agrees to buy Bear Stearns for a mere fraction of what it was once worth.
March 17	The Fed expanded the range of programs to boost financial market liquidity and cut the discount rate by 25 basis points, to 3.25 percent
March 18	Federal funds rate target reduced from 3 percent to 2.25 percent.
March 27	Fourth quarter GDP increased at an annual rate of 0.6 percent, compared with 4.9 percent in the third quarter.
April 15	Retail chains caught in a wave of bankruptcies.
April 16	Consumer prices, over the past 12 months, is up by 4 percent, reflecting sharp gains in energy costs, which are up 17 percent over that period, and food prices, which are up 4.4 percent.
April 30	Federal funds rate target reduced from 2.25 percent to 2 percent. First quarter GDP increased at an annual rate of 0.6 percent.
July 6	Extended unemployment insurance benefits begin.
July 11	IndyMac Bank seized by federal regulators.
July 30	President Bush signs housing rescue law.
August 8	Georgia-Russia conflict escalates.
August 28	Second quarter GDP increased at an annual rate of 3.3 percent.
September 1	Hurricane Gustav strikes land west of New Orleans.
September 7	The U.S. government takes over Fannie Mae and Freddie Mac.
September 13	Hurricane Ike hits Texas.
September 14	Merrill Lynch sold to Bank of America.
September 15	Lehman Brothers files for bankruptcy protection.
September 17	The Federal Reserve loans \$85 billion to American International Group (AIG).
September 19	Treasury to provide temporary guarantees for money market mutual funds.
September 23	Governor Schwarzenegger signs record-late state budget.
September 25	Washington Mutual was seized by the FDIC, and its banking assets were sold to JP MorganChase.
September 26	Second quarter GDP increased at an annual rate of 2.8 percent.
September 29	Citigroup buys banking operations of Wachovia.
October 1	Financial crisis spreads to Europe.

October 3	The Emergency Economic Stabilization Act (commonly referred to as a bailout of the U.S. financial system) became law. Wells Fargo to merge with Wachovia.
October 6 - 10	Worst week for the stock market in 75 years.
October 6	Fed provides \$900 billion in short-term cash loans to banks.
October 7	Fed makes emergency move to lend around \$1.3 trillion directly to companies.
October 8	Federal funds rate target reduced from 2 percent to 1.5 percent. The discount rate was cut to 1.75 percent.
October 11	The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112 year history.
October 12	European leaders announce recapitalization plans for Europe's banks.
October 24	OPEC to cut oil output by 1.5 million barrels a day.
October 29	Federal funds rate target reduced from 1.5 percent to 1 percent.
October 30	Third quarter GDP declines 0.3 percent.
November 3	Boeing machinists' 57-day strike ends.
November 15-	Wildfires burn five Southern California counties.
November 17	Japan is officially in recession.
November 24	The federal government approves plan to help Citigroup.
December 1	Recession in the US began in December 2007, according to NBER.
December 16	The Federal Reserve cut the federal funds rate target to a range of between zero percent and 0.25 percent.
December 17	OPEC to cut oil production starting January in a bid to prop up falling oil prices.
December 19	U.S. auto industry bailout approved.
December 23	Third quarter GDP decreased at an annual rate of 0.5 percent.

---2009---

January 20	Barack Obama inaugurated as the 44th President of the U.S.
January 23	British economy is officially in recession.
February 3	S&P lowered California's bond rating to A from A+.
February 17	President Obama signed the \$787 billion economic stimulus package into law. The "American Recovery and Reinvestment Act of 2009" includes a variety of spending measures and tax cuts intended to promote economic recovery.

February 18	President Obama unveiled the Homeowner Affordability and Stability Plan.
February 20	California Governor Arnold Schwarzenegger signs the 2009-10 state budget bill.
February 27	Fourth quarter GDP decreased at an annual rate of 6.2 percent.
March 2	Dow Jones Industrial Average drops below 7000 for the first time since 1997.
March 19	Moody's lowered California's bond rating from A1 to A2. Fitch lowered California's bond rating from A+ to A.
March 23	U.S. Treasury Secretary unveils the Public-Private Investment Program.
April 23	California adopts low carbon fuel standards.
April 26	Swine Flu declared public health emergency.
April 29	First quarter GDP decreased at annual rate of 6.1 percent.
April 30	Chrysler files for bankruptcy.
May 7	Governor Schwarzenegger proclaims state of emergency in Santa Barbara due to Jesusita wildfire.
June 1	General Motors files for bankruptcy.
June 10	Fiat completes acquisition of Chrysler assets.
June 25	First quarter GDP decreased at annual rate of 5.5 percent.
July 6	Fitch Ratings downgraded California's long-term bond rating from A- to BBB. Moody's lowered the State's rating from A2 to Baa1.
July 24	Dow closes above 9000; first time since January. Federal minimum wage jumps from \$6.55 an hour to \$7.25 an hour.
July 28	Case-Shiller index shows first rise in U.S. housing prices for 3 years.
August 24	Cash-for-Clunkers program ends.
August 27	Second quarter GDP fell 1 percent, unchanged from the advance estimate in July and following a 6.4% drop in Q1.
October 14	Dow closes above 10,000 for the first time in a year.
October 29	Third quarter GDP increased at an annual rate of 3.5 percent.
November 6	Jobless benefit extended. Homebuyer tax credit extended and expanded.
December 22	Third quarter GDP annual growth rate is 2.2%, per final estimate.

December 31 Down 25 percent at its March 9, 2009 nadir, the Dow Jones industrial average rose 59 percent, and finished the year up 19 percent. The Nasdaq increased 79 percent and ended 2009 up 44 percent. The S&P 500 rose 65 percent, finishing the year up 23 percent.

---2010---

January 13 S&P lowered California's bond rating to A- from A.

January 28 The Senate confirmed Federal Reserve Chairman Ben Bernanke's second term.

February 18 The Federal Reserve raised the discount rate charged to banks for direct loans by a quarter point to 0.75 percent.

February 26 Fourth quarter GDP increased at an annual rate of 5.9 percent.

February 27 Chile earthquake

March 23 Obama signs landmark health care overhaul bill.

April 2- BP massive oil spill in the Gulf of Mexico.

April 14-20 Ash clouds from an Icelandic volcano shut down airports across Europe.

April 15 Obama signs extension of jobless benefits.

April 30 First quarter GDP increased at an annual rate of 3.2 percent.

May 27 Revised first quarter GDP increased at an annual rate of 3.0 percent.

July 21 The Wall Street Reform and Consumer Protection Act was signed into law by President Obama.

July 22 President Obama signed a six-month extension of emergency jobless benefits for the long-term unemployed.

July 30 Second quarter GDP increased at an annual rate of 2.4 percent. In the first quarter, GDP increased 3.7 percent.